Ophir Gottlieb (00:03):

And now we'll turn to non-directional option trading. It can be shown that just blindly owning calls and puts that as straddles or strangles is simply a losing strategy. I mean, how wonderful would option trading be if you could just buy calls and puts every two weeks and make money, but you can't? And we can actually show that. Let's look at the period from 2015, September 30th through 2018, September 30th, and simply get long a strangle doing nothing special with earnings and doing it every 14 days, and Amazon, Adobe, and Facebook. And here are the results. Even in a raging bull market, this strategy has been a complete disaster. But here's the secret, and you can only get to it if you do empirical and methodical research. There are specific times when just owning calls and puts together and betting on option volatility is a good trade and avoids all of the risk of a bear market or any directional bias, but it must be extremely selective and one done properly, the results are staggering.

(00:59):

There should be a way for us to make this become a profitable strategy with extremely high win rates without taking stock direction bet. And there is. We just need four steps. The first thing we want to do is skip earnings. The next thing we want to do is go to a technical open. And we only want to open this strangle or straddle only at the moment that the stock price crosses down through the 200 day moving average. And when that happens, the stock price is also below the 10 day moving average. We're not going to use a bunch of fancy combinations. We're simply using moving averages. Next, we will come down to our closed trade one section. We're going to want to take gains. If this strangle ever goes up 20%, let's close this trade no matter what at a maximum of 10 days after we open it.

(01:44):

And here are the results. We've actually added PayPal in there as well. You can see with Amazon, four wins and no losses or PayPal, eight wins and two losses or Facebook, four wins and one loss. Adobe three wins and two losses. And note, this is taking no stock direction risk at all. It's just waiting for a trigger that indicates volatility. So we can look at a non-directional trade. But let's look at how this trade did during the bear market of late 2018. So we'll go into our settings. We'll put in the beginning of October, 2018 through the end of 2018. And you can see here in just those three months where the market was collapsing, we have two trades with Amazon, two wins, no losses with 96% return while the stock was down 26%. Or we can look at PayPal up 130% on three wins and one loss while the stock was down 5%.

(02:33):

There was no trade in Facebook because the safety valve, the technical requirement didn't trigger. That's exactly what we'd hoped to see. Now let's look at the results over 10 years. And while we're here, we added Apple to the phrase, well, now you can see over 10 years, 12 wins and one loss in Amazon. 13 wins and seven losses in Adobe. Seven wins and one loss in Facebook. Eight wins and two losses in PayPal. Again, eight wins and two losses in Apple through a bull market and a bear market taking no stock direction risk at we turned a strategy, which has been shown to be a loser that is just owning calls and puts and hoping that stocks will move. We added a few rules with backtesting and structured technical rules to trigger and open and found magnificent results that work during a bull market and a bear market.

(03:15):

And when all of it is put together. And where do we find historically the best candidates for this volatility trade With a technical trigger. It's under the pro scanner. So a Click Pro scan. We go by strategy. We can choose any ticker group we like. In this case, we'll just choose the NASDAQ 100. And here we go for the never trade earnings scans that we have. And we are looking at the technical long strangles, and you'll get all of the results and you can sort them by the number of wins or the win rate by the average trade return, the total back test return, and you can sort by different back test lengths. And finally, we can go to the alerts tab and set an alert for the stock price going below the 200 day moving average.